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September 4, 2007

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, D.C. 20554

**Re: MB Docket No. 07-57**

Dear Ms. Dortch:

On August 30, 2007, the undersigned requested that meetings be scheduled as soon as possible after the Labor Day Weekend to discuss the proposed XM/Sirius Satellite Radio Merger under consideration in Media Bureau Docket No. 07-57. The requests were emailed to Michelle Carey, Senior Legal Advisor on Media Issues, Office of the Chairman, Rick C. Chesson, Senior Legal Advisor/Media Advisor, Office of Commissioner Copps, Rudy Briocche, Legal Advisor for Media Issues, Office of Commissioner Adelstein, Susan Fisenne, Confidential Assistant, Office of Commissioner Tate, Angela Giancarlo, Legal Advisor, Wireless & International Issues, Office of Commissioner McDowell and Marcia Glauberman, with copies to Royce Sherlock, Roy Stewart, Judith Herman and Rosemary Harold, of the Commission's Media Bureau, and Ann Bushmiller of the Commission's Office of General Counsel, and Bruce Ramano and Ronald Repasi of the Commission's Office of Engineering and Technology and Gardner Foster and Marilyn Simon of the Commission's International Bureau.

The requests included the following explanation of the purpose for the meetings.

It was explained that this firm represents U.S. Electronics, Inc., New York, New York (USE) and on its behalf filed Comments in Docket MB No. 07-57 on August 10 and Reply Comments on August 24, 2007. In these comments, USE attempts to bring to the Commission's attention actions already taken by the Applicants as duopolists that USE claims already adversely affect the public interest and points out that the adverse impact on the public interest will only become more serious if the merger is approved without these actions being addressed and corrected. USE' submissions argue that the public interest at stake is one that is not at the center

of the debate over the effects of the merger if approved. That debate has centered on the question whether over the past ten years since the Commission authorized two licenses for satellite radio service, circumstances have so changed as to permit the Commission to repeal its rule that neither licensee would be allowed to acquire the other and combine into one having total ownership and control of the entire satellite radio spectrum.

It was pointed out that the issues raised by USE transcend the central question about whether the Commission should approve the merger by removing the restriction against combining the two licenses. The issues raised by USE concerns on-going adverse consequences to the public's right to open access to the satellite radio network of the existing duopolist licensees and the certain expansion of those adverse consequences if the merger is approved. The on-going artificial restriction of the public's rights to access the satellite networks arises from the Applicants' parallel actions to provide exclusive rights to supply satellite radio equipment – Sirius to Directed Electronics, Inc. or DEI and XM to Audiovox Corporation. In support of this assertion, an article dated February 21, 2007 that reported on the exclusive arrangements made by Sirius and XM was attached to each email. A copy of this article is also attached to this report.

USE cited the fact that the Applicants have not attempted to rebut these concerns. Rather, they have simply attempted to denigrate them assuming a dismissive attitude based on the self-serving assertion that USE' Comments (and others as well) seek certain conditions on the merger "because they are clearly designed to advance the companies' business interests to the detriment of consumers ..." Consolidated Reply Comments of Sirius Satellite Radio Inc. and XM Satellite Radio Holdings Inc., MB Docket No. 07-57, at n. 22, p. 6, August 27, 2007.

The Applicants' dismissive response to the issues raised by USE leaves un-refuted the facts on which they are based, and leaves unaddressed the established precedents on which USE relies to support its request for Commission action to condition the merger (or the continued duopolist operations of the current licensees) in furtherance of those precedents and the core public interests they represent.

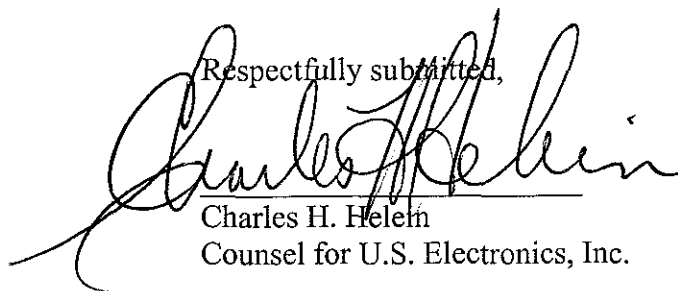
In consequence, USE has asked for these meetings to provide additional information on the issues it has raised, to clarify and substantiate the facts on which it relies and which it has experienced first hand, citing to the results the Applicants' sole sourcing practices have produced already, and what the Commission and the public may expect if these matters are not carefully considered and properly addressed.

To provide first hand knowledge, the President and Chief Executive Officer of USE, Mr. Andrew Lowinger will meet with the Chairman and Commissioners' Legal Advisors and with the Commission's Staff. It was disclosed that Mr. Lowinger would be accompanied by USE's FCC Counsel, Charles H. Helein of Helein & Marshlian, LLC. And finally, it was requested that USE be advised of the most convenient dates as soon as possible after the Labor Day Weekend to schedule the meetings.

For convenience, copies of USE' Comments and Reply Comments were also attached to each email recipient of the August 30, 2007 requests to schedule the meetings.

Pursuant to Section 1.1206 of the Commission's Rules, this letter and its attachment is submitted ECFS for inclusion in the public record of these proceedings, with email copies to those listed below.

Respectfully submitted,

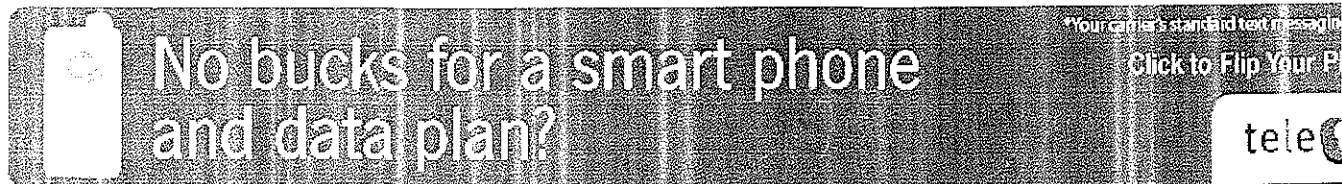


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cc (by emails): Michelle Carey, Senior Legal Advisor on Media Issues, Office of the Chairman, Rick C. Chesson, Senior Legal Advisor/Media Advisor, Office of Commissioner Copps, Rudy Brioché, Legal Advisor for Media Issues, Office of Commissioner Adelstein, Susan Fisenne, Confidential Assistant, Office of Commissioner Tate, Angela Giancarlo, Legal Advisor, Wireless & International Issues, Office of Commissioner McDowell and Marcia Glauberman, with copies to Royce Sherlock, Roy Stewart, Judith Herman and Rosemary Harold, of the Commission's Media Bureau, and Ann Bushmiller of the Commission's Office of General Counsel, and Bruce Ramano and Ronald Repasi of the Commission's Office of Engineering and Technology and Gardner Foster and Marilyn Simon of the Commission's International Bureau.

Attachment



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## Industry: XM, Sirius Must Help Avoid Market Confusion

By Amy Gilroy -- TWICE, 2/21/2007 10:23:00 AM

New York — The proposed XM and Sirius merger received a generally favorable reception by industry members, under the proviso that steps are taken to prevent market confusion in the near term.

Several retailers and suppliers, while encouraged by the benefits of a united satellite radio company, said consumer confusion could hamper sales of current satellite radio receivers.

“One of the key things that needs to happen immediately is there needs to be a clear statement to the public that should they choose a technology, either XM and Sirius, the consumer will be taken care of — where they don’t have to buy something new or additional to receive service,” said Dan Jeancola, merchandising senior VP for Car Toys, Seattle.

Kenwood consumer electronics senior VP Keith Lehmann added, “Yes, there is concern about that [consumer confusion]. The satellite radio companies need to be aware that customers may be fearful and they should promote heavily.”

Most industry members looked favorably upon a satellite radio merger. Steve Giblin, merchandise manager for J&R Music World, N.Y., said, “I would guess it will be good for the business. Sports fans will have access to NFL and baseball, rather than splitting it. On the sports front, it could be a good experience.”

Kenwood is hoping the merger will allow advancement in real-time traffic and other technologies that might be offered by suppliers.

The 44-store chain Audio Express said a combined company “would simplify things. We don’t have to waste time qualifying customers for one service vs. the other,” said purchasing manager Paul Gossweiler. He also acknowledged that there may be a “certain amount of confusion up front because we don’t know how long the merger will take ... and the longer it takes, the worse that confusion gets.”

At a news conference on Feb. 20, XM and Sirius said that once the merger is complete, development of dual-platform receivers capable of receiving both services would be placed on the fast track. But owners of current equipment could see more immediate programming benefits without the need for new receivers. An XM program might become available to Sirius listeners and vice versa, said Sirius CEO Mel Karmazin, who would become CEO of the merged company.

“Let’s say we had a conversation with a content partner who is exclusive, and the merger occurred, and

we want to expose that to a wider audience, then we could change that deal from exclusive to shared content so someone driving in either Ford or GM vehicles could access the content, and we can do this in advance of a dual chipset." Currently Ford radios receive only Sirius, and GM radios receive only XM.

Karmazin offered no specific target date for dual-chip radios, but said, "We think one of the big drivers of demand for satellite radio at retail will be interoperable radios and once we get the approval, we would look to bringing that quickly to market."

The greatest hurdle to the merger remains approval by Federal regulatory agencies. Published reports yesterday gave the merged company about a 50/50 chance of passing the regulatory process. The NPD Group industry analysis director Ross Rubin believes the chances of clearing that hurdle are better now than they would have been a few years ago.

"Both companies have shown it is very difficult to sustain their operations in the current environment. They are both spending large sums of their operational budget on satellite maintenance as well as content licensing deals."

Karmazin and XM chairman Gary Parsons said, "We remain confident that regulatory approval will be received and we can close the transaction in a timely manner."

Karmazin said a definitive merger agreement will be filed "in the coming days," and documents will be filed in 20 days that will trigger "investigative activity" into the merger by the Justice Department. Within 25 days an application will be submitted to the Federal Communications Commission and the five commissioners will eventually vote "on whether this merger is in the public interest. Will the consumer get more choice and better pricing?"

Karmazin and Parsons affirmed repeatedly that since satellite radio is competing with iPods and music-ready cellphones, HD radio and future technologies such as Wimax and MediaFlo, the competitive climate is vastly changed from that of 1997 when the original satellite radio licenses were granted. The executives stated that the merger would give consumers a wider choice in programming and that pricing for the service would be kept in check because of that competition, and the merged company's goal of winning new subscribers.

Karmazin said shareholder approval could be completed in four to six months and reasserted his estimate that regulatory approval would be complete by the end of 2007.

Industry members note that many questions have yet to be answered such as the status of current distributors. Directed is now the exclusive distributor for Sirius and Audiovox, the same for XM.

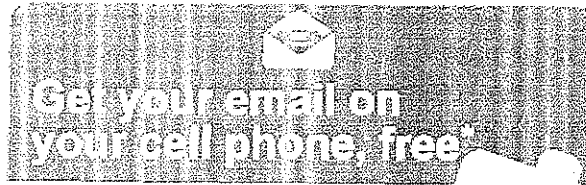
"Nobody is talking about those kinds of details at this early date ... for now and quite a while, the hardware will remain pretty much as is and we anticipate doing business 'as usual,'" said Directed president and CEO Jim Minarik.

The fate of XM and Sirius' midlevel managers are also yet to be determined. The companies duplicate staff in their product specialists, trainers and manufacturers liaisons that suppliers and retailers deal with on day-to-day business. For now, Karmazin said only that the most talented members of each company will be retained.

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